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Remarks by Donald E. Graham
Chairman of the Board and Chief Executive Officer
Graham Holdings Company

This is my first appearance as the CEO of the somewhat embarrassingly named Graham Holdings. And it's my first time representing a company that does not own The Washington Post newspaper.

I don't think more explanation of the sale is necessary; most commenters have understood why I, Katharine Weymouth, the publisher and our Company's director, and the rest of our board chose to do what we did. And Jeff Bezos as a buyer needs no commercials from me; his qualifications are obvious.

Not much is going to change at our newly-named Company, but some of our characteristics are even more pronounced after the sale. We have a very strong balance sheet, and it will be getting stronger. We have excellent businesses that generate a lot of free cash flow. We're on the lookout for businesses we can acquire both in our traditional areas and in new ones—but the new businesses have to come with a record of profitability, a strong competitive position and a capable management that will stay and run the business.

Graham Holdings Company

($ millions, except EPS and shares outstanding)

	Q3 2012	Q3 2013	% Change
Revenue	877.6	902.5	3
Operating Income	93.2	81.9	(12)
EPS - Continuing Operations	7.58	7.53	0
EPS - Continuing Operations, adjusted*	7.69	7.26	(6)
Shares Outstanding	7,376	7,337	(1)
	First 9 Months		
	2012	**2013**	**% Change**
Revenue	2,559.7	2,628.9	3
Operating Income	202.1	240.0	19
EPS - Continuing Operations	16.17	18.07	12
EPS - Continuing Operations, adjusted*	16.20	20.69	28
Shares Outstanding	7,508	7,316	(3)

*Non-GAAP measure

GH GRAHAM HOLDINGS 2

Here are key results for the Company, excluding the sold businesses, for 2012 and 2013.

I do want to touch on a couple of after-effects of the sale that have implications for our balance sheet.

Balance Sheet

($ millions)

	Actual 12/31/12	Actual 9/30/13	% Change
Cash and restricted cash	$541	$488	(10)
Marketable equity securities/other	419	498	19
Other current assets	494	455	(8)
Net property, plant and equipment	1,081	911	(16)
Net goodwill and intangibles	1,903	1,879	(1)
Prepaid pension cost	605	529	(13)
Other assets	62	81	(32)
Assets of discontinued operations	-	255	-
Total Assets	$5,105	$5,096	(1)
Current liabilities	883	933	6
Debt	697	451	(35)
Other long-term liabilities	939	876	(7)
Liabilities of discontinued operations	-	104	-
Stockholders' equity	2,586	2,732	6
Total Liabilities and Equity	$5,105	$5,096	-
Net Cash and Securities (Debt)*	$263	$535	-

*Non-GAAP measure

GH GRAHAM HOLDINGS 3

In addition to the price Jeff paid us for the Post in October, we have signed to sell the office building at 1150 15th Street, NW, for $159 million, pretax, to Carr Properties. We are scheduled to receive the cash at the end of March.

We also own 16.5% of Classified Ventures, an Internet company that owns the cars.com and apartments.com brands. I know those of you who follow Gannett and McClatchy (which own more of CV than we do) know all about this company and know there is a possibility that it will be sold or that some other event will permit shareholders to recognize some of their value. The precise value of CV is uncertain, but it's a valuable asset. Our share is probably worth more than the office building.

Our Company continues to own some real estate on the Alexandria, Virginia, waterfront that's been an age-old asset of the old Washington Post Company. Any sale of this property will be contingent on the approval of local officials.

We're not sure those assets will be sold soon. If all were sold, they would bring more, when combined, than the sale price of the newspaper, pretax, but that may take two to three years.

In addition to the proceeds from the sale of the Post, our already strong balance sheet will be reinforced by the proceeds of these sales when they take place.

At the end of the third quarter, we had cash and securities equal to more than twice our $450 million of debt. Most of the debt isn't due until 2019. And our pension plan remains hugely overfunded.

Post–Newsweek Stations

($ millions)

	Q3 2012	Q3 2013	% Change
Revenue	106.4	87.1	(18)
Operating Income	54.1	36.3	(33)

	First 9 Months 2012	2013	% Change
Revenue	283.5	271.7	(4)
Operating Income	128.8	119.4	(7)

GH GRAHAM HOLDINGS 4

This brings us to our large operating businesses. To take the oldest and most familiar, Post–Newsweek Stations has had another quite extraordinary year, although not so extraordinary that we'll finish ahead of 2012 in operating income. (It's hard to overcome the effect of all those 2012 political ads.)

But the year is far, far better than we expected and confirms my early belief that Post–Newsweek has another exceptional CEO in Emily Barr.

Our stations in Detroit and San Antonio and our amazing independent in Jacksonville continue to lead their markets in news. KPRC in Houston, our biggest station, was number one in morning news in key demos in the November ratings. This is a big deal. So is the hiring of Bert Medina, the station manager of WPLG in Miami, an experienced manager in both the Spanish- and English-language markets in South Florida who will be aiming to broaden our station's appeal. And WKMG, coming off an incredible year of political revenue, continued to grow its share of the healthy Orlando market and has seen year-over-year ratings increases.

The deal market in TV and cable has been red-hot, and we'll always listen to all offers. But to those of you who want to ask me about spinoffs, restructurings and other corporate whiz-bang: my feelings haven't changed.

If we were to sell Post–Newsweek Stations for ten times last year's operating income, it would mean a sale price of about $1.9 billion, before income taxes.

There's no way we could spend the after-tax proceeds and replace the income stream from our TV stations any time soon. So no, we're not a seller.

Cable ONE
($ millions)

	Q3 2012	Q3 2013	% Change
Revenue	199.6	202.4	1
Operating Income	39.9	39.7	0

	First 9 Months 2012	2013	% Change
Revenue	585.4	607.1	4
Operating Income	111.1	121.0	9
Operating Cash Flow*	208.0	221.8	7
Free Cash Flow*	105.7	115.9	10

*Non-GAAP measure

GH GRAHAM HOLDINGS 6

At Cable ONE, Tom Might and his team changed course about 12 months ago and positioned our cable company for a strong performance in the years ahead. We have changed our subscriber focus from quantity to quality, and we've changed our business focus from video sales to Internet and business sales.

Resources have all been shifted aggressively toward residential customers with higher lifetime values and toward business sales, which continue to grow more than 20% year-over-year, quarter-after-quarter.

For example, a reduction in rate discounting and the implementation of credit checks one year ago reduced total residential customer starts for the first nine months of 2013 by 13%. However, Internet-only customer starts were up 22%. As a result, operating cash flow is up almost 7% in the same period, because churn is falling, bad debt is halved and truck rolls are declining dramatically. And Internet is far more profitable than video.

Cable ONE doubled-down on its lifetime value approach by eliminating its entire door-to-door sales force last month. While it accounted for 9% of residential starts, Cable ONE believes door-to-door sales produced negative lifetime subscriber value and no free cash flow due to the business mix of the starts.

Cable ONE

PSUs	9/30/12	9/30/13
Basic Video	605,057	561,119
High-Speed Data	462,808	469,296
Telephony	185,647	182,643
Total	**1,253,512**	**1,213,058**

GRAHAM HOLDINGS 7

Video is hit particularly hard by our lifetime value behavior, since we are convinced there is little or no free cash flow left in video. Virtually all of Cable ONE's free cash flow now comes from Internet, phone and business sales. None of these products suffers from the continuous waves of excessive programmer increases.

Programmers are locked in a classic "tragedy of the commons." Their collective rate-increase behavior ignores what average consumers can afford and ignores the disruptive explosion of over-the-top video technology. It's a tragedy because it will not end well, regardless of who rings the final bell: the government, the consumer, or both.

For now, refocused, Cable ONE is in terrific shape. I have kept warning for three years of very heavy capital spending due a pending all-digital, all-HD conversion that has been slow to get rolling. But with 20% of our customers now happily converted, the pace will pick up substantially in 2014 and 2015.

Kaplan, Inc.
($ millions)

	Q3 2012	Q3 2013	% Change
Revenue	551.7	546.5	(1)
Operating Income	14.7	17.0	16

	First 9 Months 2012	2013	% Change
Revenue	1,650.2	1,622.5	(2)
Operating Income	6.5	36.7	-

GRAHAM HOLDINGS 8

Turning to Kaplan: I think the Obama Administration is steaming toward a huge and unnecessary mistake in their new proposed regulations on for-profit higher education, and I would like to lay out an alternative course.

Kaplan Higher Education
($ millions)

	Q3 2012	Q3 2013	% Change
Revenue	273.7	266.1	(3)
Operating Income	1.5	14.7	-

	First 9 Months 2012	2013	% Change
Revenue	872.9	811.0	(7)
Operating Income	16.3	42.4	-

GRAHAM HOLDINGS 9

In what ways are Americans dissatisfied with higher education today? Three or four things would appear toward the top of anyone's list:

1. Cost (by a mile).
2. Access. Poorer students are having a harder and harder time paying for college, and over the past two years fewer are going—at a time when it is more and more important that they attend and that they graduate.
3. Effectiveness. Although this doesn't apply to the colleges most of you went to. If you study anything at Columbia and walk out with a bachelor's degree, the odds are you'll do fine in life.

But those who are paying today's larger tuition bills increasingly want to ask: how much are students learning? And does it help prepare them for jobs and a career, which is what first jobs can lead to.

The Obama Administration is apparently of several minds when it comes to these issues. On access, an astonishingly articulate spokesperson for more access to college for poor children has arisen in Michelle Obama. She has spoken wisely about the need for more college graduates and about the role cost plays in denying college access to low-income and first-generation college students.

Also, the Administration has proposed tying federal aid to a new ratings system that will report data on access, affordability and student outcomes at colleges across the country, taking into account the student populations served. That's designed to encourage excellence in serving all student groups, not just the academically well-prepared.

I happen to think that both of these are great ideas, and so is any push for lower-priced college programs.

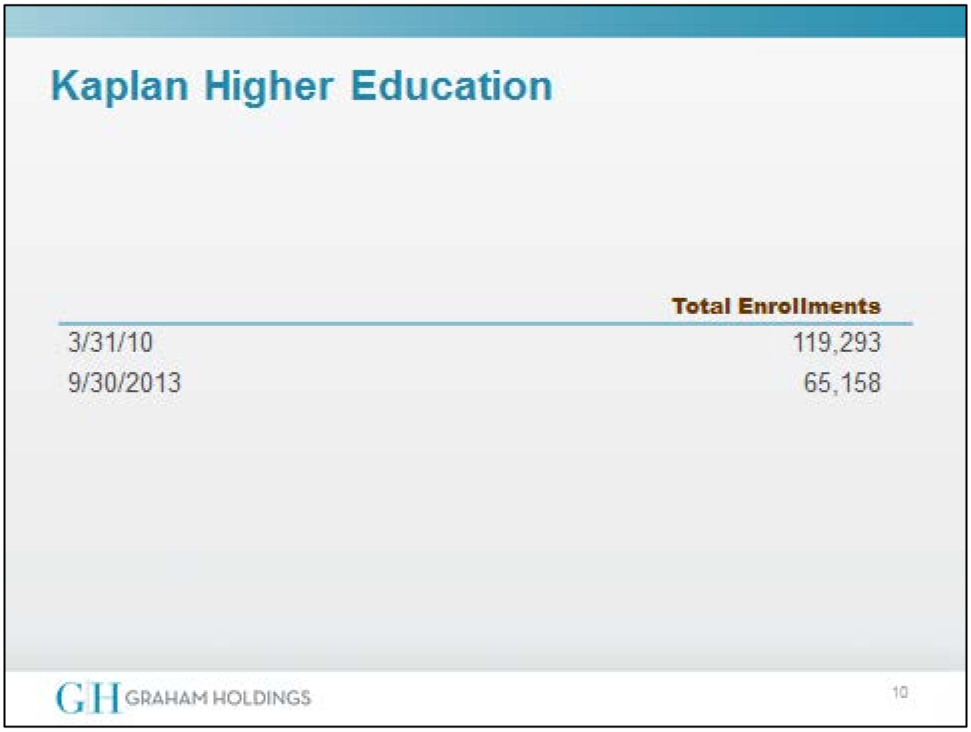
The proposed regulations on for-profit education were apparently drafted by someone working in a different Administration altogether, someone who wants to drive hundreds of thousands of students—mostly low-income—out of the colleges they have chosen.

I hope the Administration thinks about what it is doing and decides to change. Instead of putting the for-profits out of business, we invite the Administration to partner with us to see if we can lower the cost of higher education, increase access and demonstrate better outcomes.

Does the Administration want to try new systems to rate the effectiveness of colleges? Since they are having a tough time finding partners among traditional universities, why not partner with us to try out these ratings?

Does the Administration believe the idea of for-profit education is itself illegitimate? If they do, they should take note that they are out of step with the trend. And here at home, among those who are in a different place today are universities like Princeton, Stanford, Duke, Yale, Illinois, Washington and many more that are partnering with for-profits like Coursera to offer courses online. (One reason Coursera and Udacity won't offer programs eligible for federal student financial aid soon: it would subject them to the Administration's crazy regulation of for-profits.)

But it's more than MOOCs. Universities, including some of the most prestigious, are partnering with for-profits of various stripes to offer new services and to serve students better.



Kaplan Higher Education

	Total Enrollments
3/31/10	119,293
9/30/2013	65,158

Kaplan has cut down on the number of students we serve—from 119,000 at our peak to about 65,000 today—and so have most other for-profits. Many of the students we were serving are the nation's poorest—and now no one else is serving them. That's a big reason college attendance nationwide is down in the past two years. These students are getting as good an education and a higher likelihood of graduation with us than at a traditional university. Yet their choices are reduced from what they were just a few years ago. That's a missed opportunity that will play itself out in hundreds of thousands of lives for years to come.

Kaplan Test Prep
($ millions)

	Q3 2012	Q3 2013	% Change
Revenue	81.2	77.4	(5)
Operating Income	3.4	3.8	11

	First 9 Months 2012	2013	% Change
Revenue	223.8	232.1	4
Operating (Loss) Income	(4.1)	7.3	-

GH GRAHAM HOLDINGS 11

The outlook for our non-Higher Ed businesses is good. Test Prep, although held back by declining enrollment for LSAT and GMAT, is ahead of last year.

Kaplan International
($ millions)

	Q3 2012	Q3 2013	% Change
Revenue	194.2	201.3	4
Operating Income	20.4	12.0	(41)

	First 9 Months 2012	2013	% Change
Revenue	546.9	574.1	5
Operating Income	34.3	24.9	(27)

GH GRAHAM HOLDINGS 12

International is now 35% of Kaplan revenues and will grow with the years.

Other Businesses
($ millions)

	Q3 2012	Q3 2013	% Change
Revenue	20.2	66.6	-
Operating Loss	(7.3)	(5.0)	31

	First 9 Months 2012	2013	% Change
Revenue	41.2	128.0	-
Operating Loss	(23.1)	(19.6)	15

GH GRAHAM HOLDINGS 13

We are fortunate to have a group of smaller, but promising businesses. Gross revenues at SocialCode, our social media advertising technology business, have more than more doubled in the first nine months of 2013, as they expand their customer base for professional services and tech-licensing.

SocialCode is now meaningful in the scale of Graham Holdings. It builds marketing technology and solutions that make the world's most valuable brands successful using social platforms—including Facebook, Twitter, Instagram and Pinterest.

We recently acquired Celtic Healthcare and Forney. Both businesses had a record of profitability with good prospects and strong management, and initial results are positive. These are companies in very different businesses. Celtic is a home health care provider in several markets in Pennsylvania and Maryland. Forney is a small manufacturing company we acquired from United Technologies.

Finally, you can never attend a presentation of our old or new Company without a word on our pension plan. Our pension fund is no longer responsible for the current employees of the Post newspaper and the other businesses we sold to Nash Holdings. We expect to transfer approximately $330 million of pension assets to satisfy this obligation.

The performance of the fund has been so outstanding this year that—after the transfer—we expect the pension plan to be even more overfunded than it was a year ago.

Our aim is a simple one. We want the Company to grow over the years. Just as at The Washington Post Company, we won't be focusing even slightly on quarterly earnings; to repeat what managers of our Company have said for years: if you're interested in the quarterly results, you probably shouldn't own the stock. What we're all very, very interested in—myself in particular, with over 90% of my net worth in the Company—is increasing the value of our Company into the future. I'll look forward to talking about it with you.

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